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SUBJECT: UZBEKISTAN GSP INTERIM DEMARCHE REQUEST

11. This is an action request; Please see paragraph 7.

12. Summary. As part of the USG's review of Uzbekistan's eligibility for benefits under the Generalized System of Preferences (GSP), Post is requested to meet Government of Uzbekistan officials at the highest appropriate level to call attention to the need to address the issue of child labor in the cotton industry and to request that Uzbekistan invite the International Labour Organization (ILO) to undertake a mission to assess child labor in the 2009 cotton harvest. Post is further requested to stress that the invitation should be made as early as possible to allow the ILO to plan and execute its assessment. The USG expects to discuss the progress of the ILO assessment and other steps taken by the Government of Uzbekistan during the October Trade and Investment Framework Agreement (TIFA). End Summary.

BACKGROUND

13. In 2008, Uzbekistan exported over USD 3 million in products duty-free to the United States under the GSP program. The USG is reviewing two petitions regarding Uzbekistan under the GSP program. A 1999 petition from the International Intellectual Property Alliance (IIPA) alleges Uzbekistan has failed to protect intellectual property rights. A 2007 petition from the International Labor Rights Forum (ILRF) alleges Uzbekistan fails to protect internationally recognized worker rights, in particular with respect to child labor in the cotton industry. The GSP program is designed to promote economic growth in developing countries, and provides preferential duty-free entry for more than 4,650 products from 131 designated beneficiary countries and territories. The GSP program was launched in 1976 for a 10-year period and is renewed periodically, most recently in 2008, when it was reauthorized through 2009. Under the mandatory GSP eligibility criteria the President shall not designate a country as a GSP beneficiary if the country: 1) "Has not taken or is not taking steps to afford internationally recognized worker rights to workers in the country...." or 2) "Has not implemented its commitments to eliminate the worst forms of child labor."

14. The interagency GSP Subcommittee of the Trade Policy Staff Committee (TPSC) reviews all accepted GSP petitions and submits its recommendations to the TPSC policy-level officials for decision. The GSP Subcommittee is chaired by USTR and is comprised of representatives from State, Treasury, Commerce, Labor, Agriculture, USAID, and USITC. Based on a country's inaction or action, the Subcommittee may recommend that the review remain open to continue to engage with a country, be closed based on steps taken, or suspended if little or no progress has been made. One of the aims of the petition review process is to encourage action by the GSP beneficiary government to address the issues identified in the petition. The review process is not intended to move directly to punitive action, such as suspension of GSP

benefits. The GSP Subcommittee makes every effort through engagement with the beneficiary country, including demarche requests, to resolve issues in a positive way. Host governments should understand that, under the GSP statute, failure to address issues of concern could lead to a loss of GSP benefits.

15. In April 2007, the USG extended review of the petition by IIPA, and included GSP-related instructions to Post in the 2007 Special 301 demarche requesting Uzbekistan take the step of removing its reservation to the Berne Convention as an interim step. Uzbekistan has subsequently made clear that it does not intend to lift this reservation. The ILRF, in the petition to review worker rights, alleged that Uzbekistan has failed to protect workers from compulsory labor. The ILRF also criticized Uzbekistan for failing to eliminate the worst forms of child labor. In April 2008, the USG extended review of the petitions for another year, and included GSP-related instructions to Post to underscore the continued USG review of the petitions.

16. The USG in previous demarches suggested several specific steps that, if taken by Uzbekistan, would help to address USG concerns over worker rights and the adequate protection of intellectual property rights. The GSP Subcommittee is concerned that little progress has been made in the suggested areas. In particular, the USG has emphasized the need to draw on assistance and advice from the International Labour Organization (ILO). The Subcommittee believes that a mission from the ILO to assess the level of forced child labor in the harvest could assist Uzbekistan in addressing the worker rights concerns raised in the ILRF's petition.

ACTION REQUEST

17. At the earliest convenience, Post is requested to deliver the following talking points to Uzbekistan government officials at the highest appropriate level:

-- As you are aware, the GSP statute provides factors that the President must take into account in designating a country as eligible for the GSP. These factors include the extent to which the country is providing adequate and effective protection of intellectual property rights and whether or not the country has taken or is taking steps to afford workers internationally recognized worker rights.

-- GSP preferences are conditioned on mandatory statutory requirements, and forced child labor is defined under the law as a particularly egregious violation of rights. Under the GSP statute, a country that has not or is not taking steps to afford workers internationally recognized worker rights shall not be designated as eligible for GSP benefits.

-- In 2007, a petition from the International Labor Rights Forum (ILRF) was submitted to the USG that alleges Uzbekistan's failure to protect internationally recognized worker rights, in particular with respect to child labor in the cotton industry. There is another petition, dating to 1999, which alleges Uzbekistan's failure to protect intellectual property rights adequately. The USG is obligated by law to respond to such petitions.

-- We urge your government to demonstrate progress in addressing outstanding concerns raised by both petitions regarding Uzbekistan's eligibility of GSP benefits. We note that your government has begun engagement with appropriate UN agencies on the child labor issue and has expressed interest in raising its level of expertise on Intellectual Property Rights protection. Given that fall harvest time is nearing, the most immediate concern is the mobilization of child labor for this fall's cotton harvest.

-- As part of our continued review of the petitions, we urgently request your government invite the International Labour Organization to undertake a mission to assess child

labor in the 2009 cotton harvest.

-- This invitation should be made as quickly as possible and with enough notice to ensure the ILO can plan and execute an assessment in the 2009 harvest season.

-- The invitation and execution of the ILO assessment would be seen by the GSP Subcommittee as a favorable step towards the affirmation of Uzbekistan's GSP benefit eligibility.

-- We look forward to discussing with Uzbekistan the progress of the ILO assessment of the 2009 cotton harvest, intellectual property rights, and the other issues raised in the petitions, during the Trade and Investment Framework Agreement (TIFA) meeting with Uzbekistan in early October 2009.

-- We must inform the GSP Subcommittee of progress made by September 1, 2009.

-- In concluding the 2008 GSP Country Practice review, the GSP Subcommittee will also be reviewing Uzbekistan's efforts on this and other actions to combat child labor.

-- We will announce the outcome of the pending GSP Review of Country Practices for Uzbekistan at a later date.

18. Post is requested to report the results of the effort by cable or email immediately following delivery.

19. Post is also requested to follow-up on this request of Uzbekistan and report on the status of the invitation and/or progress of the assessment mission by September 1, 2009, to the GSP Subcommittee.

CLINTON